



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury
Cabinet Secretary

May 3, 2001

Lori Wrotenbery

Director

Oil Conservation Division

ARCO Permian
P. O. Box 1610
Midland, Texas 79702-1610
Attention: Elizabeth A. Casbeer

Telefax No. (915) 688-5956

Administrative Order NSL-4584

Dear Ms. Casbeer:

Reference is made to the following: (i) your application dated April 12, 2001; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning ARCO Permian's request for an exception to the provisions of Division Rule 104.C (2) (a) for the proposed Hilltop Federal Well No. 2 to be drilled at an initial unorthodox Morrow gas well location 2130 feet from the South line and 660 feet from the West line (Unit L) of Section 1, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico.

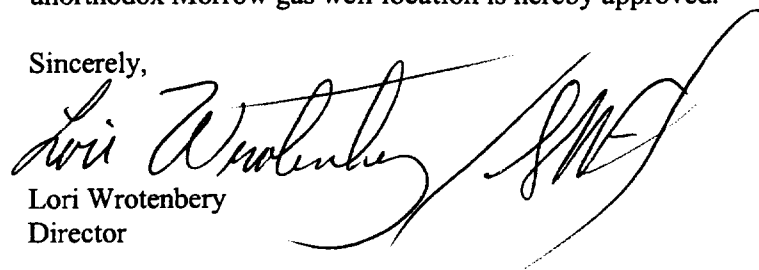
Lots 1 and 2, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 1 is to be dedicated to this well in order to form a standard 319.88-acre stand-up gas spacing and proration unit for the Undesignated Little Box Canyon-Morrow Gas Pool.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard within the proposed unit.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Morrow gas well location is hereby approved.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad